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**EAST BATON ROUGE PARISH CLERK OF COURT
BATON ROUGE, LOUISIANA**

FINANCIAL STATEMENTS

JUNE 30, 1999

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date JAN 0 5 2000

**EAST BATON ROUGE PARISH CLERK OF COURT
BATON ROUGE, LOUISIANA**

**GENERAL PURPOSE FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT**

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ROY HEBERT
CERTIFIED PUBLIC ACCOUNTANT

7523 JEFFERSON HIGHWAY
BATON ROUGE, LOUISIANA 70806
(225) 927-7555
(225) 927-7556 FAX

MEMBER OF
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Honorable Doug Welborn
East Baton Rouge Parish Clerk of Court
Baton Rouge, Louisiana

I have audited the general purpose financial statements of the East Baton Rouge Parish Clerk of Court as of and for the year ended June 30, 1999. These general purpose financial statements are the responsibility of the East Baton Rouge Parish Clerk of Court's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

Except as discussed in the following paragraph, I conducted my audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

Due to the East Baton Rouge Parish Clerk of Court's inability to reconcile the individual suit balances in its Advance Deposit Fund with the corresponding unsettled deposits liability of \$10,386,166 recorded on its balance sheet at June 30, 1999, I was unable to satisfy myself, by any auditing procedures, as to the reasonableness of the accounts receivable and unsettled deposits account balances recorded in this fund at June 30, 1999. These account balances, which are recorded in the Advance Deposit Fund, represented approximately 9% and 63% of the total fiduciary funds' assets and liabilities, respectively, at June 30, 1999. The effect on the financial statements of not reconciling these individual suit balances cannot be reasonably determined.

In my opinion, except for the effects of any adjustments that might be required with respect to the Advance Deposit Fund discussed in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the East Baton Rouge Parish Clerk of Court as of June 30, 1999, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 18, 1999, on my consideration of the East Baton Rouge Parish Clerk of Court's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

A handwritten signature in black ink, appearing to be 'P. J. ...', written over the typed text.

Baton Rouge, Louisiana
December 18, 1999

ROY HEBERT
CERTIFIED PUBLIC ACCOUNTANT

7523 JEFFERSON HIGHWAY
BATON ROUGE, LOUISIANA 70806
(225) 927-7555
(225) 927-7556 FAX

MEMBER OF
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND
INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Honorable Doug Welborn
East Baton Rouge Parish Clerk of Court
Baton Rouge, Louisiana

I have audited the general purpose financial statements of the East Baton Rouge Parish Clerk of Court as of and for the year ended June 30, 1999, and have issued my report thereon dated December 18, 1999. I conducted my audit in accordance with generally accepted auditing standards and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the East Baton Rouge Parish Clerk of Court's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the East Baton Rouge Parish Clerk of Court's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information of the East Baton Rouge Parish Clerk of Court, management of the East Baton Rouge Parish Clerk of Court, and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record, and its distribution is not limited.

A handwritten signature in black ink, appearing to be 'D. East', written in a cursive style.

Baton Rouge, Louisiana
December 18, 1999

**EAST BATON ROUGE PARISH CLERK OF COURT
BATON ROUGE, LOUISIANA**

**COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999**

	GOVERNMENTAL FUND TYPE GENERAL FUND		ACCOUNT GROUPS		TOTAL (MEMORANDUM ONLY)
			FIDUCIARY FUNDS- AGENCY FUNDS	GENERAL FIXED ASSETS	
ASSETS AND OTHER DEBITS					
Assets:					
Cash	\$ 413,266	\$ 7,097,421	\$ -	\$ -	\$ 7,510,687
Certificates of deposit	2,140,000	8,075,171	-	-	10,215,171
Accounts receivable	352,519	1,434,964	-	-	1,787,483
Miscellaneous receivables	32,650	22,488	-	-	55,138
Due from other funds	42,679	-	-	-	42,679
Deferred compensation benefit investments	-	207,046	-	-	207,046
General fixed assets	-	-	3,113,847	-	3,113,847
Other debits:					
Amount to be provided for retirement of general long-term obligations	-	-	-	323,094	323,094
TOTAL ASSETS AND OTHER DEBITS	\$ 2,981,114	\$ 16,837,090	\$ 3,113,847	\$ 323,094	\$ 23,255,145
LIABILITIES, EQUITY, AND OTHER CREDITS					
Liabilities:					
Accounts payable	\$ 170,671	\$ -	\$ -	\$ -	\$ 170,671
Accrued insurance claims	85,423	-	-	-	85,423
Payroll withholdings and other accrued expenses	199,588	-	-	-	199,588
Due to other governmental agencies	-	-	-	7,442	7,442
Due to other funds	-	42,679	-	-	42,679
Annual leave payable	-	-	-	315,652	315,652
Deferred compensation plan payable	-	207,046	-	-	207,046
Unsettled deposits	-	16,587,365	-	-	16,587,365
Total liabilities	455,682	16,837,090	-	323,094	17,615,866
Equity and Other Credits:					
Investment in general fixed assets	-	-	3,113,847	-	3,113,847
Fund balance:					
Fund balance-Unreserved	2,525,432	-	-	-	2,525,432
Total equity and other credits	2,525,432	-	3,113,847	-	5,639,279
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	\$ 2,981,114	\$ 16,837,090	\$ 3,113,847	\$ 323,094	\$ 23,255,145

The accompanying notes are an integral part of this statement.
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**EAST BATON ROUGE PARISH CLERK OF COURT
BATON ROUGE, LOUISIANA
GOVERNMENTAL FUND TYPE-GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 1999**

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<u>REVENUES</u>			
Licenses and permits	\$ 44,000	\$ 47,603	\$ 3,603
Fees and charges for services:			
Court costs, fees, and charges	135,000	124,870	(10,130)
Recording of legal documents	6,553,000	6,664,705	111,705
Certified copies of documents	900,000	911,810	11,810
Miscellaneous	509,500	518,558	9,058
Interest income	585,000	583,743	(1,257)
Total revenues	8,726,500	8,851,289	124,789
<u>EXPENDITURES</u>			
General government:			
Personal service and related benefits	6,260,000	6,259,290	710
Operating services	932,000	935,148	(3,148)
Materials and supplies	895,000	943,861	(48,861)
Travel	53,000	51,604	1,396
Debt service	24,000	24,000	-
Capital outlay	370,000	400,609	(30,609)
Total expenditures	8,534,000	8,614,512	(80,512)
EXCESS(DEFICIENCY) OF REVENUES OVER EXPENDITURES	192,500	236,777	44,277
FUND BALANCE-BEGINNING OF YEAR	2,288,655	2,288,655	-
FUND BALANCE-END OF YEAR	\$ 2,481,155	\$ 2,525,432	\$ 44,277

The accompanying notes are an integral part of this statement.

**EAST BATON ROUGE PARISH CLERK OF COURT
BATON ROUGE, LOUISIANA**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As provided by Article V, Section 28 of the Louisiana Constitution of 1974, the clerk of court serves as the *ex-officio* notary public, the recorder of conveyances, mortgages, and other acts, and has other duties and powers provided by law. The clerk of court is elected for a term of four years.

A. REPORTING ENTITY

The clerk of court is an independently elected official; however, the clerk of court is fiscally dependent on the City of Baton Rouge/Parish of East Baton Rouge (City/Parish). The City/Parish maintains and operates the parish courthouse in which the clerk of court's office is located and provides funds for various expenditures of the clerk of court's office. Because the clerk of court is fiscally dependent on the City/Parish, the clerk of court was determined to be a component unit of the City of Baton Rouge/Parish of East Baton Rouge, the reporting entity.

The accompanying financial statements present information only on the funds maintained by the clerk of court and do not present information on the City/Parish, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

B. FUND ACCOUNTING

The clerk of court uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds of the clerk of court are classified into two categories: governmental (General Fund) and fiduciary (agency funds). These funds are described as follows:

General Fund(Salary)

The General Fund, as provided by Louisiana Revised Statute 13:781, is the principal fund of the clerk of court and is used to account for the operations of the clerk's office. The various fees and charges due to the clerk's office are accounted for in this fund. General operating expenditures are paid from this fund.

Agency Funds

The Advance Deposit Fund, Registry of Court Fund, Bond Fund, and Deferred Compensation Fund are agency funds used to account for assets held as an agent for others. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**EAST BATON ROUGE PARISH CLERK OF COURT
BATON ROUGE, LOUISIANA**

NOTES TO THE FINANCIAL STATEMENTS

C. GENERAL FIXED ASSETS AND GENERAL LONG-TERM OBLIGATIONS

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets account group, rather than in the General Fund. General fixed assets provided by the City/Parish government are not recorded within the General Fixed Assets account group. Fixed assets are valued at historical cost or estimated historical cost if historical cost is not available. No depreciation has been provided on general fixed assets.

Long-term obligations expected to be financed from governmental funds are accounted for in the General Long-term Obligations account group, not in the General Fund.

The two account groups are not funds. They are concerned only with the measurement of financial position and do not involve measurement of results of operations.

D. BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The governmental fund is accounted for using a current financial resources measurement focus. The accompanying component unit financial statements have been prepared on the modified accrual basis of accounting.

The governmental fund utilizes the following practices in recording revenues and expenditures:

Revenues

Revenues are recognized when they become measurable and available as net current assets. Charges for services and interest revenues are susceptible to accrual. All other revenues are not susceptible to accrual as they are generally not measurable until received in cash.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for accumulated annual leave which is not accrued and the principal and interest on long-term debt which are recognized when due.

E. BUDGET PRACTICES

The proposed budget was made available for public inspection for the fiscal year beginning July 1, 1998, and ending June 30, 1999, on June 30, 1998, at the clerk of court's office.

The proposed budget, prepared on the modified accrual basis of accounting, was published in the official journal 11 days prior to the public hearing. A public hearing was held at the clerk of court's office in room #179 on June 30, 1998, for comments from taxpayers. The proposed budget is legally adopted and amended, as

**EAST BATON ROUGE PARISH CLERK OF COURT
BATON ROUGE, LOUISIANA**

NOTES TO THE FINANCIAL STATEMENTS

necessary, by the clerk of court. All appropriations lapse at year end.

Formal budget integration is employed as a management control device. Budget amounts included in the accompanying financial statements include the original adopted budget amounts and all subsequent amendments.

F. CASH AND INVESTMENTS

Cash includes amounts in demand deposits, interest-bearing demand deposits, and certificates of deposit. Under Louisiana Revised Statutes 39:1271 and 33:2955, the clerk of court may deposit funds in demand deposits, interest-bearing demand deposits, or certificates of deposit with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

G. ACCOUNTS RECEIVABLE

Bad debts are charged to operations during the year in which the account is deemed uncollectible. If the reserve method of accounting for uncollectible accounts had been used, it would not have had a material effect on the financial statements.

H. COMPENSATED ABSENCES

The clerk of court has the following policy related to annual and sick leave:

Annual leave is determined by the number of years of service and accrues each pay period. Accrued annual leave is carried over from year to year, with no limit on the amount that may be accumulated. Upon termination of employment for any cause, an employee will be paid for accrued annual leave not to exceed thirty-five working days (280 hours).

Regardless of the number of years of service, sick leave amounts to twelve days per year and accumulates each pay period. Sick leave carries over from year to year, with no limit on the amount that may be accumulated. Upon termination of employment for any cause, an employee will not be paid for any accumulated sick leave.

At June 30, 1999, employees of the clerk of court had accumulated and vested \$315,652 of annual leave benefits, which was computed in accordance with Statement No. 16 of the Governmental Accounting Standards Board, Accounting for Compensated Absences, and is recorded within the general long-term obligations account group.

I. TOTAL COLUMN ON THE FINANCIAL STATEMENTS

The total column on the combined balance sheet is captioned Memorandum Only to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

**EAST BATON ROUGE PARISH CLERK OF COURT
BATON ROUGE, LOUISIANA**

NOTES TO THE FINANCIAL STATEMENTS

J. ENCUMBERANCES

Encumbrance accounting, under which contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of that appropriation, is not employed by the clerk of court.

NOTE 2: RECEIVABLES

Receivables at June 30, 1999, consisted of the following:

Class of receivables				
Trade accounts	\$	315,519		
NSF checks		1,465		
Miscellaneous		<u>31,185</u>		
Total	\$	<u>385,169</u>		

NOTE 3: CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance July 1, 1998	Additions	Deletions	Balance June 30, 1999
Equipment	\$ 2,713,239	\$ 400,608	\$ _____	\$ 3,133,848
	<u>\$ 2,713,239</u>	<u>\$ 400,608</u>	<u>\$ _____</u>	<u>\$ 3,133,848</u>

NOTE 4: PENSION PLAN

Plan description

Substantially all employees of the East Baton Rouge Parish Clerk of Court are members of the Louisiana Clerks of Court Retirement and Relief Fund (System), a cost-sharing, multiple-employer public employee defined benefit pension plan administered by a separate board of trustees.

All regular employees who are under the age of 60 at the time of employment are required to participate in the System. Employees who retire at or after age 55 with at least 12 years of credited service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final-average salary for each year of credited service, not to exceed 100% of their final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least 12 years of service and do not withdraw their employee contributions may retire at or after age 55 and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established and amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required

**EAST BATON ROUGE PARISH CLERK OF COURT
BATON ROUGE, LOUISIANA**

NOTES TO THE FINANCIAL STATEMENTS

supplementary information for the System. That report may be obtained by writing to the Louisiana Clerks of Court Retirement and Relief Fund, 11745 Bricksome Avenue, Suite B 1, Baton Rouge, Louisiana 70816, or by calling (225)293-1162.

Funding Policy

Plan members are required by state statute to contribute 8.25% of their annual covered salary and, the East Baton Rouge Parish Clerk of Court is required to contribute at an actuarially determined rate. The current rate is 10%. Contributions to the System also included one-fourth of 1% of the taxes shown to be collectible by the tax rolls of each parish. The contribution requirements of plan members and the East Baton Rouge Parish Clerk of Court are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The East Baton Rouge Parish Clerk of Court's contributions to the System for the years ended June 30, 1999, 1998, and 1997, were \$443,469, \$416,094, and \$379,812, respectively, equal to the required contributions for each year.

NOTE 5: OTHER POSTEMPLOYMENT BENEFITS

The East Baton Rouge Parish Clerk of Court provides certain health care and life insurance benefits for retired employees. Substantially all of the clerk's employees become eligible for these benefits if they reach normal retirement age while working for the clerk of court. These benefits for retirees and similar benefits for active employees are provided through an insurance company whose monthly premiums are paid jointly by the employee and the clerk of court. The clerk of court recognizes the cost of providing these benefits (the clerk's portion of premiums) as an expenditure when the monthly premiums are due.

NOTE 6: LEASES

The clerk of court records items under capital leases as an asset and an obligation in the accompanying financial statements. The following is an analysis of equipment acquired under various capital leases:

Type	Amount
Equipment	<u>\$ 4,318</u>

NOTE 7: CHANGES IN AGENCY FUND BALANCES

The following presents the changes in unsettled deposits in the agency funds during the year ended June 30, 1999.

**EAST BATON ROUGE PARISH CLERK OF COURT
BATON ROUGE, LOUISIANA**

NOTES TO THE FINANCIAL STATEMENTS

	Advance Deposit Fund	Registry of Court	Bond Fund	Total
Unsettled deposits beginning of year	\$ 9,419,071	\$ 7,140,875	\$1,038,826	\$17,598,772
Additions				
Deposits	6,707,390	4,249,046	1,382,628	12,339,064
Interest earned		136,353	34,775	171,128
Total additions	<u>6,707,390</u>	<u>4,385,399</u>	<u>1,417,403</u>	<u>12,510,192</u>
Reductions				
Clerk's costs	3,064,285			3,064,285
Settlements to litigants		7,397,041	384,263	7,781,304
Refunds	820,552			820,552
Other	<u>1,855,458</u>			<u>1,855,458</u>
Total reductions	<u>5,562,567</u>	<u>6,544,069</u>	<u>261,498</u>	<u>12,368,134</u>
Unsettled deposits end of year	<u>\$ 10,386,166</u>	<u>\$ 4,129,233</u>	<u>\$2,071,966</u>	<u>\$16,587,365</u>

NOTE 8: CHANGES IN GENERAL LONG-TERM OBLIGATIONS

The following is a summary of the general long-term obligations transactions during the year:

	Balance June 30, 1998	Additions	Reductions	Balance June 30, 1999
Compensated absences	\$ 289,925	\$ 25,727	\$	\$ 315,652
Due to other governmental agencies	<u>29,248</u>		<u>21,806</u>	<u>7,442</u>
Total	<u>\$ 319,173</u>	<u>\$ 25,727</u>	<u>\$ 21,806</u>	<u>\$ 323,094</u>

Due to other governmental agencies consists of a \$152,000, non-interest bearing, note payable to the City of Baton Rouge/Parish of East Baton Rouge dated November 5, 1993, due in 6 annual installments of \$24,000 and 1 final payment of \$8,000 (less unamortized discounts of \$558 and \$2,572 at June 30, 1999 and 1998, respectively, based on an imputed interest rate of 7.5%). The debt is unsecured.

The annual requirements to amortize the note payable to other governmental agencies as of June 30, 1999, including interest payments of \$558, are as follows:

Fiscal years ending June 30,	Amount
2001	\$ 8,000

NOTE 9: EXCESS FUND BALANCE

Louisiana R.S. 13:785 requires the clerk of court to pay the parish treasurer the portion of the general fund's

**EAST BATON ROUGE PARISH CLERK OF COURT
BATON ROUGE, LOUISIANA**

NOTES TO THE FINANCIAL STATEMENTS

fund balance that exceeds one-half of the revenues earned during the clerk of court's last year of each four year term of office. At June 30, 1999, there was no amount due the parish treasurer as this was not the last year of the clerk's four year term of office, and no determination of the amount that will be due, if any, can be made at this time.

NOTE 10: RISK MANAGEMENT

The clerk of court provides health care benefits for its employees through its self-funded employee medical benefit plan. This program provides employee health benefit coverage up to \$45,000 per illness per year less deductions for each individual covered. The clerk of court purchases commercial insurance for claims in excess of this annual threshold. Several claims exceeded the commercial threshold during the fiscal year ended June 30, 1999.

The claims liability of \$54,361 reported at June 30, 1999, is based on the requirement of Government Accounting Standards Board Statement 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is possible that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

As required by GASB 10, a reconciliation of the unpaid claims liability is shown below:

Unpaid claims and claim adjustment expenses at June 30, 1998	<u>\$ 54,361</u>
Incurred claims and claim adjustment expenses:	
Provision for insured events of the current fiscal year	661,727
Increase in provision for insured events of prior fiscal years	<u>8,258</u>
Total incurred claims and claim adjustment expenses	669,985
Payments:	
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	576,304
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>62,619</u>
Total payments	<u>638,923</u>
Unpaid claims and claim adjustment expenses at June 30, 1999	<u>\$ 85,423</u>

NOTE 11: CASH

At June 30, 1999, the clerk of court's cash balances totaled \$17,725,858 as follows:

Petty cash	\$ 2,225
Interest-bearing demand deposits	7,508,462
Certificates of deposit	<u>10,215,171</u>
	<u>\$ 17,725,858</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent

**EAST BATON ROUGE PARISH CLERK OF COURT
BATON ROUGE, LOUISIANA**

NOTES TO THE FINANCIAL STATEMENTS

bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the East Baton Rouge Parish Clerk of Court in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 1999, the clerk of court had \$18,063,941 in deposits (collected bank balances). These deposits were secured from risk by \$4,924,893 of federal deposit insurance and \$18,210,658 of pledged securities held by the fiscal agent bank in the name of the clerk of court.

Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the clerk that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 12: DEFERRED COMPENSATION PLAN

The clerk of court participates in the State of Louisiana Public Employees Deferred Compensation Plan, which is a cost-sharing multiple-employer public employee deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all clerk employees, permits them to defer a portion of their salary until future periods. Participation in the plan is optional. The deferred compensation is not available to employees until termination, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts are (until paid or made available to the employee or other beneficiary) solely the property and right of the clerk of court, subject only to the claims of the clerk's general creditors. Participants' rights under the plan are equal to those of general creditors of the clerk of court in amounts equal to the fair market value of their deferred accounts.

It is the opinion of the State's Attorney General that the clerk of court has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary investor. The clerk believes that it is unlikely that it will use the assets to satisfy the claims of the general creditors in the future.

Investments are managed by the plan's trustee, who provides certain options. The choice of investment options is made by the participants.

NOTE 13: COMMITMENTS AND CONTINGENCIES

The clerk of court is involved in several legal actions which arose during the ordinary course of business. Management believes that the clerk of court has adequate legal defenses or insurance coverage with respect to each of these actions. However, the ultimate outcome of the litigation is unknown at the present time. Accordingly, no provision for any liability that might result has been made in the accompanying financial statements. In the opinion of management, the existing litigation will not materially affect the clerk's results of operations or financial position.

**EAST BATON ROUGE PARISH CLERK OF COURT
BATON ROUGE, LOUISIANA**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 14: EXPENSES OF THE CLERK OF COURT PAID BY THE CITY-PARISH

Certain operating expenditures of the clerk's office are paid by the City of Baton Rouge/Parish of East Baton Rouge and are not included in the accompanying financial statements. These expenditures are summarized as follows:

Operating expenditures:

Telephone	\$ 16,333
Juror and witness fees	\$ 379,319

NOTE 15: YEAR 2000 ISSUE

The year 2000 Issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the government's operations as early as fiscal year 1999.

The East Baton Rouge Parish Clerk of Court has completed an inventory of computer systems and other electronic equipment that may be effected by the Year 2000 issue and that are necessary to conducting the Clerk's operations. Based on this inventory the Clerk has completed all stages of work from awareness through validation/testing. In the process, the Clerk's office spent approximately \$70,000 purchasing hardware and software upgrades for the financial reporting systems.

Because of the unprecedented nature of the Year 2000 Issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Clerk's office is or will be year 2000 ready, that the Clerk's remediation efforts will be successful in whole or in part, or that parties with whom the Clerk's office does business will be year 2000 ready.

SUPPLEMENTAL INFORMATION

**EAST BATON ROUGE PARISH CLERK OF COURT
BATON ROUGE, LOUISIANA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 1999**

Finding 1: Inability to reconcile the individual suit balances in the Clerk's Advance Deposit Fund.

Fiscal year finding initially reported: June 30, 1997

Corrective actions taken:

(1) As reported to the Legislative Audit Advisory Council in the Clerk's response to this finding in the audit report for the year ended June 30, 1997, the Clerk has contracted with a consultant to evaluate the data processing needs and requirements of his office. That effort has now proceeded to the publishing of the request for proposal to vendors for solicitation of bids to satisfy the requirements of the Clerk's office. One of those deals with the software used to administer the Advance Deposit Fund.

(2) The Clerk's office has continued to monitor the monthly deposits and disbursements for the year ended June 30, 1999, and through the current date. While outages continue to occur, the amounts are not material. The Clerk's office is continuing its efforts to determine the causes of these outages.

Planned corrective actions:

The Clerk, with the assistance of the consultants hired, will select software from the most responsive bid and begin the implementation phase of the efforts to upgrade the data processing capabilities of the office.

In addition, the Clerk's office will continue its monitoring of the monthly deposits and disbursements in the Advance Deposit Fund.

**EAST BATON PARISH CLERK OF COURT
BATON ROUGE, LOUISIANA**

**CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 1999**

Finding 1: Inability to reconcile the individual suit balances in the Clerk's Advance Deposit Fund.

The Clerk's actions related to this finding and the anticipated actions are detailed in the Summary Schedule of Prior Audit Findings and responsive to this finding.

The contact personnel are the Honorable Doug Welborn, East Baton Rouge Parish Clerk of Court or Ms. Rhonda Cothorn, Chief Deputy.